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Public Service Commission of Wisconsin
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PUBLIC SERVICE COMMISSION OF WISCONSIN

Memorandum

September 2, 2021

FOR COMMISSION AGENDA

TO: The Commission

FROM: Kristy Nieto, Division Administrator
Tara Kiley, Deputy Division Administrator
Joe Pater, Director, Office of Energy Innovation
Mitch Horrie, Performance Manager, Focus on Energy
Division of Digital Access, Consumer and Environmental Affairs

RE: Wisconsin Electric Power Company (6630) and Wisconsin Gas LLC (6650) Conservation Activities and Voluntary Utility Programs for 2022 — 5-EE-2022

Suggested Minute: The Commission (approved/approved with modifications/did not approve) the 2022 Voluntary Programs Proposal submitted on behalf of Wisconsin Electric Power Company and Wisconsin Gas LLC.

This memorandum addresses a proposal for Wisconsin Electric Power Company and Wisconsin Gas LLC (We Energies) to continue operating the Residential Assistance Program (RAP) as a voluntary energy efficiency program for the 2022-2023 program years and to explore pilot opportunities under RAP to expand the customer eligibility to reach additional customer types.

Background

As established in Wis. Stat. § 196.374(2)(b)2., investor-owned utilities may, with Commission approval, fund and administer energy efficiency or renewable resource programs that are in addition to the statewide Focus on Energy (Focus) programs. In 2008, the Commission approved We Energies' requests to operate its existing electric and natural gas energy efficiency portfolio of programs as voluntary utility programs, starting in 2009. This portfolio included the RAP, which has continually operated as a voluntary utility program since the initial Commission approval.

On June 30, 2021, We Energies filed a voluntary energy efficiency program plan for 2022-2023. (PSC REF#: 414713.) We Energies proposes to continue operating the RAP in 2022-2023 and explore pilot opportunities to expand customer eligibility for possible program expansion.

Summary of Proposal

The RAP provides weatherization services for low-income customers in the We Energies' territory. We Energies proposes to continue the operation of RAP much as it has in the past in terms of program design and implementation. Currently, RAP is available to select natural gas customers who are homeowners and are below 80 percent of the state median income. Eligible customers are primarily identified through the utility's income qualified programs which are designed to assist customers recovering from being delinquent on their utility bills. In addition, the program also accepts participant referrals from the State Low Income Weatherization Program or from other community support agencies.

Under the program design in place since 2014, RAP customers are referred to local contractors affiliated with the Focus Residential Trade Ally Solution (formerly the Home Performance with ENERGY STAR Program) and other related Focus program offerings. Weatherization measures offered under RAP include measures eligible for Tier 2 heating and cooling equipment incentives under Focus. These measures are installed as needed and include attic and wall insulation, air sealing, and replacement of furnaces, boilers, and water heaters. RAP participants receive Focus incentives for the work and RAP covers all remaining costs of the Focus measures that would otherwise be paid by the participant by direct payments of invoices submitted by Trade Allies performing the work. In addition, RAP covers the full cost of other measures that can improve efficiency, comfort and safety, including sill box insulation, furnace and boiler repairs, dryer venting, appliance repair and carbon monoxide detectors. Furthermore, RAP offers the direct install of LED lightbulbs in all eligible sockets of the home, with customer approval. We Energies proposes to continue this existing program model in 2022 and 2023.

We Energies proposes to expand the customer eligibility criteria considerations for RAP in 2022 and 2023 as a pilot initiative. The pilot proposal seeks to consider RAP eligibility for previously ineligible customer segments including:

1. Owner occupied units in structures with four or more units
2. Non-owner occupied 2-4 unit structures
3. Multifamily units in 6-12 unit structures
4. Non-profit organizations
5. Other markets to be determined in collaboration with Commission staff.

We Energies recognizes that many income qualified customers rent properties rather than own properties and the expansion of eligible customers into the small multifamily segments listed above is intended to help the utility understand the challenges for these pilot groups and address barriers to program participation. According to the 2022-2023 program plan, small multifamily customers in the segments listed above will need to meet an income qualification component for participation and will be considered on a case-by-case basis. Additional detail regarding income criteria considerations is discussed below. Program eligibility for customers in the non-profit organizations segment will be determined on a case-by-case basis.

In addition to expanding the eligibility to more customer markets, We Energies proposes to consider flexible income eligibility criteria for all customers selected or referred for potential participation in RAP. We Energies proposes income eligibility flexibility in order to reach additional customers in need of assistance that may fall near, but not under, the current income eligibility definition of below 80 percent of statewide median income. Specific guidelines for flexible income eligibility are not offered in We Energies program plan. We Energies proposes consideration of income eligibility on a case-by-case basis based on customer need.

We Energies notes in its program proposal that RAP is not marketed through any advertisements or public relations media outlets. Rather, customer outreach is performed through a targeted selection letter and follow-up with an assigned Trade Ally. This approach limits potential for customer confusion with other weatherization programs in the state. Moreover, RAP is closely coordinated with the State Low-Income Weatherization Program and Focus on Energy.

Commission Staff Analysis

In determining whether to approve We Energies' proposed voluntary energy efficiency program, the Commission must assess whether the program is in the public interest. To inform this decision, Commission staff reviewed We Energies' proposed voluntary energy efficiency programs for compliance with Wis. Stat. § 196.374 and Wis. Admin. Code § PSC 137.08, and for consistency with Commission energy efficiency policies. Commission staff considered the following when it reviewed We Energies' request for program approval:

1. Inclusion of appropriate measures,
2. Balance of services available to different types of customers,
3. Adequacy of proposed budgets,

4. Likelihood the program will achieve its goals,
5. Projected cost-effectiveness of the program,
6. Adequacy of evaluation measurement and verification plans, and
7. Level of coordination with Focus programs.

Each of these areas will be discussed. We Energies has worked with Commission staff in the development of its proposal, as well as the ongoing implementation and evaluation of the program, and Commission staff has found We Energies responsive and effective in responding to questions and concerns. We Energies proposes to largely maintain the programmatic design and delivery structure of RAP during the 2022-2023 program years. However, new pilot opportunities for RAP are being proposed for the first time.

1. Inclusion of Appropriate Measures

Most of the RAP's spending is directed toward bonus incentives for measures already incented through Focus' residential Trade Ally Solutions: insulation, air sealing, furnace and boiler replacement, smart thermostats and water heaters. As a result, these measures have already been confirmed as appropriate measures that can achieve energy savings. The additional measures offered have been confirmed as reasonable and appropriate through a prior Commission decisions approving RAP. (PSC REF#: 379404.) They are typically low-cost measures that help maintain and enhance the value of the bonus measures, either by addressing other issues that could limit energy savings, such as furnace and boiler repairs, or by addressing safety concerns created by those installations, such as carbon monoxide detectors to help address the increased risk of carbon monoxide accumulation in "tighter" homes with more insulation and air sealing. In addition, RAP offers direct installation of LED lightbulbs with customer approval. A 2020 summary of RAP activities shows that Trade Allies installed 2,249 LED lightbulbs in 131 units, an average of 17 LEDs per unit. (PSC REF#: 407807.) This level of installation activity indicates substantial opportunities for lighting energy savings for RAP participants.

2. Balance of Services Available to Different Types of Customers

An appropriate balance of services typically involves ensuring that program offerings do not duplicate target markets, services, or incentives already offered by Focus. The RAP serves a low-income market already served through Focus' Tier 2 incentives for insulation and air sealing and heating and cooling offerings. However, historically the Commission has found this overlap reasonable because RAP offers bonus incentives that enhance Focus' ability to serve a market segment that is hard to reach due to a host of barriers including lack of awareness and high upfront costs.

We Energies proposes to explore pilot opportunities to expand the reach of RAP to other customer segments in need of assistance. Current eligibility requirements may inadvertently limit opportunities to make RAP's services available to customer segments in need of assistance or with unique participation barriers. For instance, current RAP eligibility requires single family homes to be owner-occupied and limits eligibility for two-and three-unit multifamily structures to those where at least one of the units is owner-occupied. Under current eligibility requirements, renter-occupied single family homes, and multifamily properties where none of the units are owner-occupied, would not be eligible to participate. With We Energies' proposed pilot eligibility, renter-occupied single family homes and multifamily structures up to 12 units where none of the units are owner-occupied, would be eligible for RAP incentives. Expanding the RAP eligibility to a broader segment of the low-income population that includes more renter-occupied single family and multifamily units is likely to increase the balance of services of the program by creating opportunities for customers traditionally underserved by such programs.

We Energies also proposes to consider expansion of RAP eligibility into other markets beyond single family and multifamily. In their 2022-2023 RAP proposal, We Energies identifies non-profit organizations as one such potential pilot market that may benefit from weatherization opportunities offered through RAP. Discussions with We Energies staff indicates that research and analysis over the two-year program period would be required to identify specific non-profits for participation and that a pilot is proposed to further understand opportunities and barriers for that customer market. We Energies' proposal also indicates it intends to work with Commission staff in determining other potential pilot markets to explore.

We Energies' 2022-2023 program plan states that the goal of the pilot phase will be to learn the best potential candidates for RAP program expansion and that pilot program progress will be reported in its annual conservation escrow reports to the Commission. Commission staff agree that a pilot with flexible eligibility criteria is a reasonable avenue for exploring opportunities for future program expansion without substantial risk and investment.

3. Adequacy of Proposed Budgets

We Energies proposes an annual budget for the 2022-2023 RAP of $925,000, the same as the annual budgets approved by the Commission for the 2018-2019 and 2020-2021 program periods. We Energies is not requesting additional budget as part of its plan to explore pilot opportunities for RAP. If approved, We Energies intends to fund the pilot using either existing budget allocated to RAP or unspent conservation escrow funds. RAP spending for the 2018-2019 program period was 91 percent of planned. RAP spending in 2020 was 92 percent of planned. The annual budget level of $925,000 appears to be appropriate to maintain recent levels of program participation with some additional budget to accommodate pilot activities during the 2022-2023 program period.

4. Likelihood the Program Will Achieve its Goals

We Energies proposes a goal of serving 150 units each year during the 2022-2023 program period. This is the same annual participation target set for the 2020-2021 program period. We Energies estimates this level of participation will result in savings of 35,700 therms annually based on Focus deemed savings for Tier 2 whole home insulation and air sealing completed projects. RAP completed projects in 162 units in 2020, saving 37,184 therms. The program was able to exceed its goals in 2020 despite not completing any projects between May and mid-July due to the COVID-19 Safer at Home Order. Past program performance indicates that RAP is likely to achieve its goal of serving 150 units per year.

As RAP is primarily a natural gas savings program, We Energies did not set an electric savings goal for the installation of LED bulbs, and such a goal is not necessary. Program savings from LED bulbs will depend on customer interest and the number of available sockets for replacement, which are outside the direct control of the program. Nevertheless, We Energies will continue to track and report electric savings from LED bulbs installed through RAP.

5. Projected Cost-Effectiveness of the Program

It is not uncommon for programs designed to serve low-income customers to not demonstrate cost-effectiveness. The Commission has historically determined that low-income offerings remain reasonable to include in program portfolios to provide those customers equitable opportunities for participation in energy efficiency programs, particularly given the participation barriers those customers face due to limitations in income and awareness.

6. Adequacy of Evaluation, Measurement, and Verification Plans

We Energies does not propose any formal evaluation of the RAP during the 2022-2023 period, noting that RAP has undergone no major changes since the last ordered process evaluation in 2015. (PSC REF#: 231627.) The proposal adds that We Energies will allocate additional customer service conservation escrow budget as needed to comply with any future ordered evaluation activities.

We Energies has similarly proposed no formal evaluation of RAP in its 2016-2017, 2018-2019, and 2020-2021 program plans. In its Order of September 18, 2015, the Commission ordered We Energies to conduct a billing analysis of program participants to assess their achievement of cost and energy savings. (PSC REF#: 275310.) In its subsequent filing, We Energies found that savings achievement for RAP participants was closely comparable to the findings for income-qualified customers statewide, and higher than savings achievement for non-income qualified customers served by the Focus Home Performance with ENERGY STAR program. (PSC REF#: 286952.)

We Energies reports on general RAP performance, including participation and savings in its annual customer service conservation reports to the Commission. While the last ordered billing analysis was in 2015, estimated RAP savings are calculated using the Focus Technical Reference Manual (TRM) deemed savings for Tier 2 whole home air sealing and insulation projects which are updated by the Focus third party evaluator on a regular basis. Furthermore, since RAP operates in coordination with Focus through enhanced Focus incentives, savings are claimed by Focus. This ensures that benefits of the measures installed through the program are measured and evaluated consistent with Focus standards.

We Energies expects to conduct program delivery for pilot markets similar to the approach historically used for RAP. If the Commission approves the pilot component of RAP, it may wish to direct We Energies to conduct a process evaluation of the pilot aspects of the program following the two-year program period. A process evaluation may include a description of the pilot program process, interviews with key stakeholders, information on flexible eligibility criteria parameters employed, and recommendations for program process improvement. This type of evaluation could inform future program expansion planning and serve as a resource for other utilities interested in expanding voluntary programs to similar customer segments.

Commission Alternatives – Pilot Program Evaluation

Alternative One: Do not require We Energies to complete a process evaluation of proposed pilot activities for the 2022-2023 RAP.

Alternative Two: Modify the RAP proposal to require We Energies to complete a process evaluation of the pilot aspects of RAP following the 2022-2023 program period. We Energies shall file a process evaluation of the 2022-2023 pilot activities with the Commission by June 1, 2024 or another date pursuant to Commission discussion.

Alternative Three: Modify the RAP proposal and require a different pilot program evaluation.

7. Level of Coordination with Focus Programs

In its 2022-2023 RAP proposal, We Energies notes that coordination with both Focus and the statewide low-income weatherization program operated by the Department of Administration is key to the program's success. Coordination with Focus includes regular meetings with Focus staff, maintenance of a joint list of customer leads used by both programs, and joint training and oversight of contractors who work with both programs. These practices appear to have been successful in maintaining adequate coordination with Focus programs.

Summary

The Commission must determine whether to accept, modify, or reject We Energies' proposed RAP voluntary energy efficiency program for the 2022-2023 program years.

Commission Alternatives: RAP Approval

Alternative One: Accept We Energies' RAP as proposed.

Alternative Two: Do not approve We Energies' RAP.

Commission Alternatives: RAP Pilot Approval

Alternative One: Accept We Energies' RAP Pilot as proposed.

Alternative Two: Accept We Energies' RAP, but require We Energies to modify the terms of its proposed pilot based on individual area determinations.

Alternative Three: Do not approve We Energies' RAP Pilot.

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Key Background Documents
We Energies' 2022-2023 RAP Plan – PSC REF#: 414713
Final Decision Signed and Served 11-14-19 – Extension of RAP into 2021 - PSC REF#: 379404